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December 16, 1997

BY MESSENGER

Magalie Roman Salas
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

RECEIVED
DEC 16 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket No. 96-45; Notice of Ex Parte Meeting

Dear Ms. Salas:

Yesterday, December 15, 1997, Dave Ecret, the Special Assistant to the Governor for Telecommunications and Utilities, and Thomas K. Crowe, counsel for the Office of the Governor of the Commonwealth of the Northern Mariana Islands ("Commonwealth"), met with Thomas Power, Legal Advisor to FCC Chairman William Kennard, to discuss universal service matters which concern the Commonwealth.

During the meeting the participants circulated a brochure, as general background information, titled "Commerce in the Commonwealth" which summarizes the Commonwealth's economic and social characteristics. A copy of this brochure is enclosed. Mr. Ecret and Mr. Crowe expressed concern that the Commission had not yet issued the Public Notice concerning the support needs of health care providers located in insular areas, as discussed in Paragraph 696 of the Commission's May 8, 1997 Report and Order. Mr. Ecret and Mr. Crowe similarly expressed concern that the Commission had not yet issued a Public Notice investigating the factors which contribute to low subscribership in insular areas, as discussed in Paragraph 415 of the Report and Order. The participants discussed the Commonwealth's subscribership rate, which is among the lowest in the United States. Lastly, the participants discussed the political challenges which the Commonwealth faces in meeting the December 31, 1997 deadlines for adopting an intrastate discount matrix for schools and libraries, designating carriers as "eligible" to participate in the Universal Service programs, designating service areas within the Commonwealth's jurisdiction, and accepting increased support with regards to the Lifeline program.

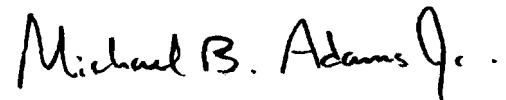
This ex parte notice is being filed in the Office of the Secretary on December 16, 1997, and should be included in the public record.

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Magalie Roman Salas
December 16, 1997
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Please direct any questions to the undersigned.

Sincerely,

A handwritten signature in black ink that reads "Michael B. Adams Jr." with a period at the end. The script is cursive and fluid.

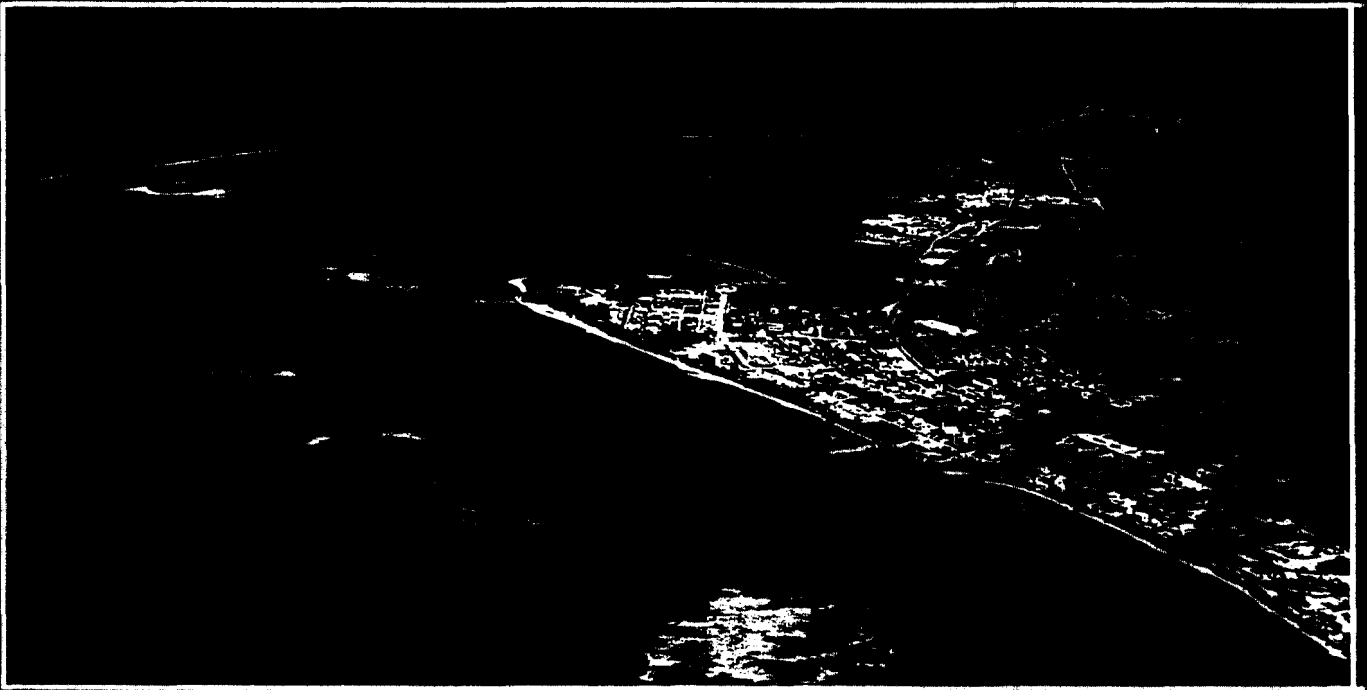
Michael B. Adams, Jr.
Counsel for the Commonwealth of the
Northern Mariana Islands

Enclosure

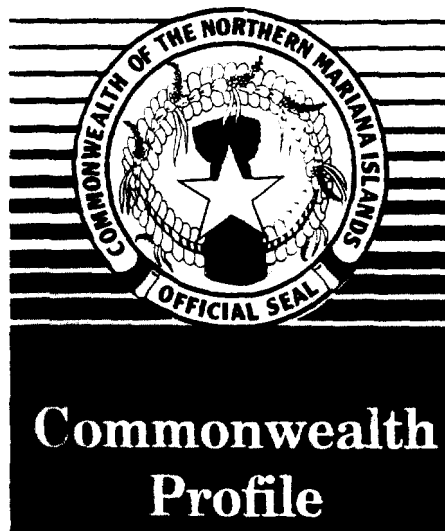
cc: Thomas C. Power



Commerce in the Commonwealth



Department of Commerce, Commonwealth of the Northern Mariana Islands



Summary Of Economic & Social Characteristics

General

CNMI Land Area	176.5 Sq. Miles
CNMI Water Area	264,000 Sq. Miles
Number Of Islands	14
Number Of Inhabited Islands	4
Ave. Temperature	85 Degrees F.
Average Monthly Rainfall	5.4 Inches
Population (1990 - Mid Year Census)	43,345
Population Projection (1994 - At Year's End)	56,656
Estimated Life Expectancy	Males: 72.5 Years Females: 76.3 Years
Religions	Catholic & Protestant

Government Leaders

Governor	Froilan C. Tenorio
Lt. Governor	Jesus C. Borja
President of the CNMI Senate	Jesus R. Sablan
Speaker of the CNMI House Of Representatives	Diego T. Benavente
U. S. Resident Representative	Juan N. Babauta
Next Election Scheduled	1997

Government

Budget Income - Millions \$ (F Y 1995)	\$190.40
Expenditures - Millions \$ (F Y 1995)	\$190.40
Education - Millions \$	\$32.50
Infrastructure - Millions \$	\$19.10
Health - Millions \$	\$31.00
All Others - Millions \$	\$107.80

Economic

GIP - Millions \$ (1994 Est.)	\$524.0
Currency	U. S. Dollar
Inflation Rate (1994 Est.)	6.50%
Prime Lending Rate	7.75 %
Net Foreign Debt	N.A
Estimated Annual Economic Growth For 1995	2.50%
Number Business Licenses Issued (1995)	4,236

Principal Sectors (Annual Gross Income)

Hotels (1993 Millions \$)	\$108.50
Construction (1993 Millions \$)	\$84.70
Manufacturing (1993 Millions \$)	\$290.80
Retail (1993 Millions \$)	\$304.60
All Other (1993 Millions \$)	\$647.40
Total (1993 - Millions \$)	\$1,436.00

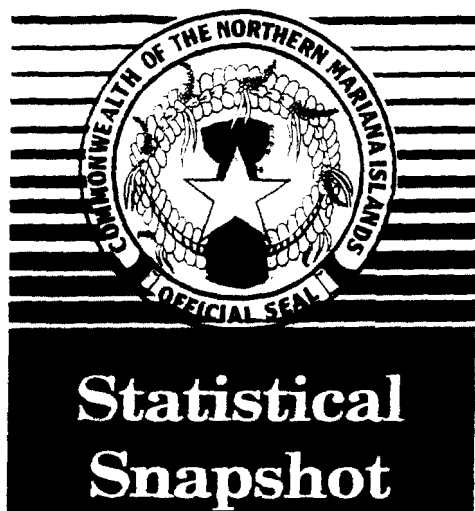
Population 1994 Estimate

Total Employed Workforce	32,207
U. S. Citizens	22,203
Non Resident Workers (Aliens)	26,488
Total Wages & Salaries Paid (1993 Millions \$)	\$384.46

Tourism Sector

Number Hotel Rooms (FY 1995)	3,488
Number Visitors (FY 1995)	654,375





Population. The population in the Commonwealth of the Northern Mariana Islands increased tremendously between 1980 and 1990. This increase in population took place in the islands of Saipan, Rota, and Tinian, but not in the Northern Islands. Since 1935, Saipan's population has increased proportionately more than Rota's and Tinian's population. By 1990, about 90 percent of the CNMI population was in Saipan, about 5 percent was in Rota, about 5 percent was in Tinian, and less than one percent was in the Northern Islands. Similarly, population density has increased in Saipan much faster than in Rota and in Tinian: by 1992 estimates, population density in Saipan was well over 1,000 persons per square mile; the same estimates showed that in Rota, population density was about 80 persons per square mile; and in Tinian, 65 persons per square mile.

In Saipan, places of population concentration shifted between 1980 and 1990. In 1980, Garapan had over 27 percent of Saipan's total population and Chalan Kanoa had over 18 percent; by 1990, Garapan's population had increased to over 31 percent, San Antonio-Koblerville area's population increased to almost 20 percent, and San Vicente's increased to almost 17 percent of Saipan's total population. In both Rota and Tinian, places of population centers remained the same in 1980 and in 1990: Songsong and San Jose, respectively.

Over 61 percent of the population in the CNMI were born elsewhere and migrated into the Commonwealth; most of them came into the CNMI in the second half of the 1980's and into the 1990's. The majority of all immigrants were temporary residents who were residing in the Commonwealth under employment visas. The immigrant population's age distribution was different from that of CNMI-born population: the immigrant population was older, mostly 20 to 44 year-olds. The CNMI born population is younger with a median age of 16.0 years.

Major changes in population characteristics in the Commonwealth resulted from the huge migration into the CNMI between 1980 and 1990. The characteristics of these migrant workers combined with local population resulted in major shifts, such as (1) a significant difference in the number of married males and married females, (2) a high proportion of females employed, (3) a higher median age, and (4) a high male-female ratio.

The population in the CNMI was relatively older in 1990, compared to prior census years: the mean age in 1990 was 27.4 years, compared to 19.6 years in 1980 and 15.7 in 1970. In 1990, total males outnumbered total females: the male-female ratio in 1990 was 111 males to every 100 females. By age group, however, females outnumbered males in age groups 5-9, 15-19, 20-24, and 60-64 years old.

The majority of all persons lived in households in 1990, but proportionately more lived in group quarters compared to 1980: 26.4 percent of population were in group quarters in 1990, an increase from 5.4 percent of population in 1980.

Sixty two percent of males were married, while only 42 percent of females were married in 1990. The disparity between the proportion of married males and married females reflects the different age distribution of male and female populations in the Commonwealth in 1990. A greater proportion of females, compared to males, were in age group 20-24 and age group 25-29; while a greater proportion of males were in age group 30-44. Hence, the likelihood of males being married was much higher than for females being married.

Only 38.6 percent of population in 1990 were born in the CNMI. The rest, a vast majority, of the population were born outside of the CNMI. Almost half were born in Asian countries (Philippines, Japan, Korea, China, Thailand)—over thirty eight percent were born in the Philippines alone. In contrast, in 1980, almost 72 percent of CNMI population were born in the Commonwealth. This drastic shift in the birthplace of persons in the Commonwealth is more pronounced in Saipan than in Rota and Tinian.

In 1990, the Filipino ethnic group was the largest single ethnic group in the Commonwealth; the Filipinos slightly outnumbered the Chamorros in 1990. This phenomenal change was true in Saipan where the vast majority of CNMI population was (and still is) located. In Rota and in Tinian, Chamorro was still the most dominant ethnic group, although not as dominant as in previous years. In the Northern Islands, Carolinian was the most dominant ethnic group.

Vital Statistics. The number of births in the CNMI steadily increased annually since 1980,

except for the years 1983, 1989 and 1994. The increase was due mostly to increasing population. Although the number of births increased, birth rate declined from 1980 to 1983, fluctuated thereafter, but has not been as high as the 1980 rate of 36.5 births per thousand persons. In recent years, almost all births took place in the general hospital in the Commonwealth.

The highest proportion of births in a year were firstborn children, and the highest proportion of births were for mothers in age group 25-29. Most mothers are in ages between 15 and 39 years old. Over 42 percent of babies born between 1987 and 1991 weighed between 3001 and 3500 grams. Over 86 percent weighed between 2501 and 4000 grams.

The number one cause of death in 1991 was accidents, followed closely by malignant and benign neoplasm and heart diseases. The number of deaths was higher in age group less than 4, particularly in ages less than one yearold, and in age group 55 and over. Generally, more males than females died each year: about 2 out of 3 of all deaths each year were males, at least for years 1990 to 1992.

Education. The number of students enrolled in schools in the CNMI has steadily increased. The total enrollment of 10,749 in School Year (SY) 94-95 was almost twice the enrollment in SY1981-82. School-age population increased because of (1) natural growth in population, (2) migration into the CNMI, and (3) programming changes in the CNMI Public School System. In school year 1990-91 all public elementary schools integrated grade K (kindergarten); prior to SY 90-91 only Tanapag, San Vicente, Rota and Tinian elementaries had grade K. Also, during school year 90-91, grade 7 from all Saipan public elementary schools moved to Hopwood Jr. High and grade 9 moved from Hopwood to Marianas High School. In addition, Headstart program increased enrollment in school year 1990-91 due to increased funding.

The increased student population is also evident in the private schools. Since SY 1981-82, nine new private schools opened their doors and the rate of increase in total enrollment in private schools was more than the rate of increase in public schools in the 80s. Since SY 90-91, private schools total enrollment has been about 20 percent of total CNMI student enrollment.

The lower grade levels continue to account for the largest proportion of total student enrollment. Transfers and dropouts tend to increase, as students move into higher grade levels. Again, the larger proportion of the lower grade levels is evidenced by the number of new private schools serving this portion of the student population.

The number of teachers and teacher aides have

increased to meet the rising demand for teaching and classroom assistance. Also, the number of school teachers with advance degrees increased. The student population, like the CNMI total population, is multi-ethnic. There are more single ethnic groups now and the number of students in each ethnic group is increasing.

Labor Force and Employment. Between 1980 and 1990, the CNMI labor force went through a transformation: in 1990, about 82 percent of all persons 16 years and older participated in the labor force, compared to about 64 percent in 1980. Of the 26,589 persons in labor force in 1990, over 97 percent were employed, only 2.3 percent were unemployed.

In 1990, Filipino was the largest single ethnic group in the CNMI labor force: almost twice the number of Chamorros, the second largest single ethnic group in the labor force. This is a dramatic shift from 1980 when Chamorro was the largest ethnic group in the labor force and Filipino was about one third the size of Chamorro.

Employment in the private sector in the CNMI grew tremendously between 1980 and 1990. In 1990, almost 85 percent of all workers worked for private companies, over 12 percent worked for the CNMI Government, about one percent worked for the federal government, and 1.5 percent were self-employed. This was a major shift from 1980 when about 56 percent of the work force worked for private companies, over 37 percent worked in local government, and about 5 percent worked for the federal government.

In absolute numbers, workers increased in all industries from 1980 to 1990. However, workers in some industries increased more than in others: workers in the manufacturing industry increased the most, followed by workers in the construction and personal entertainment and recreational services.

Males outnumbered females in the labor force in 1990, as was true in 1980. Also, a greater proportion of males than females, 16 years and older, participated in the labor force in both census years. Although the number of females "with own children" and in the labor force in 1990 was more than that of 1980, proportionally, "women with own children" and in the labor force in 1990 was lower than in 1980. This was largely due to a large number of young women who entered the CNMI to work between 1985 and 1990.

A higher level of education is associated with higher participation in the labor force. In 1990, 68 percent of persons with 8 years of education were in the labor force, while 87 percent of persons with high school education (12 years) and 90 percent of persons with bachelor degrees were in the labor force.

The vast majority (94.6 percent) of workers worked full-time, 35 or more hours a week.

Disaggregating the CNMI unemployment by ethnic group revealed that in 1990, Filipinos had the lowest unemployment rate at less than one percent (0.8). Carolinians had the highest unemployment rate at 10.6 percent and the Chamorros unemployment rate was less than 6 percent.

There was a distinct pattern in male-female composition by industry in 1990: males were concentrated in construction, while females were concentrated in manufacturing, personal entertainment & recreational services.

In 1990, the majority of CNMI workers were in Saipan where most business establishments were (are still) located. Workers of Chamorro and Carolinian ethnic groups were concentrated in public administration and professional and related services and retail trade industries. Filipinos were dominant in construction and personal entertainment & recreational services industries; Chinese were dominant in the manufacturing industry.

The number of work permits issued to non-residents increased from 1989 to 1991. The number declined in 1992, but remained above the 1989 level. Filipinos, by far, constitute the largest number of permit holders from a single country; Chinese steadily increased to become the second largest number of permit holders; Koreans declined while Japanese and Thais fluctuated in numbers but these constituted a small number of the total permits issued. In recent years, permit renewals constituted the majority of all permits issued. Transfers and extension-type permits are relatively small portions of the total permits issued annually.

By industry, large number of work permits were issued to workers in construction, manufacturing, and services industries. By occupation, most of the work permits were issued to workers in structural work, benchwork, services, professional and technical occupations.

Household and Personal Income. The 1990 Census results showed that household median income was \$20,644 and household mean income was \$34,713 in the CNMI in 1989. Family median income was \$21,275 and the family mean income was \$35,994 in 1989.

In 1989, 93.5 percent of households reported income from wages and salaries; 17.5 percent reported income from interest, dividend, and net rental; 12.1 percent reported income from self employment; 9.2 percent reported income from Social Security; 8.5 percent reported income from public assistance programs; 6.3 percent reported income from retirement; and 2.5 percent reported income from remittances. Households whose primary source of income was from selfemployment had the highest

mean household income. Second were households with income from wages and salaries. Third were households with income from interest, dividend, and net rental.

In 1989, personal median income was \$5,331, i.e., half of all persons had income below \$5,331 and half had income above \$5,331. Mean personal income was \$11,353, that same year. Twenty five percent of all persons with income received less than \$2,500 in 1989; over 21 percent received income between \$1,500 and less than \$5,000; over 47 percent of all persons with income received less than \$10,000 in 1989. Generally, males received higher income than females.

Generally, persons born in the CNMI earned more than those born elsewhere, in 1989. Citizens and nationals of the United States, generally, earned more than non US citizens in the Commonwealth that year.

For all persons employed for wages and salaries, hourly wage rates was highest among persons born in the U.S mainland, followed by persons born in Guam. Persons born in the CNMI had the third highest mean hourly wage, followed by persons born in Palau, FSM, and Asian countries, respectively.

By class of worker, average hourly wage rate was highest for federal government employees, followed by local government employees, self-employed persons, and private enterprise employees, respectively.

Voters and Elections. The number of registered voters in the Commonwealth was 8,234 persons in 1987 and increased to 10,022 by 1991. In 1991, Election District 1 had the highest number of registered voters (2,916), second highest was District 3 (2,677), followed by District 4, District 2, District 6, and District 5.

The total number of registered voters who voted also increased from 7,341 in 1987 to 8,550 persons in 1991; however, not all election districts had increases. The number of voters who voted consistently increased in Election Districts 1, 3, 5, and 6, but declined in Election Districts 2 and 4, from 1987 to 1991.

Generally, male registered voters outnumbered females; similarly, male registered voters who voted in 1987, 1989, and 1991 election years outnumbered females.

The proportion of registered voters who voted went up slightly from 1987 to 1989, but declined from 1989 to 1991. The proportion of registered voters who voted in election year 1991 was highest in Election District 5 (Tinian), second highest in District 6 (Rota), followed by District 3, District 1, District 2, and District 4, respectively.

Although age group 18-26 years old had the

largest number of registered voters, age group 27-35 had the highest number of registered voters who voted in the 1991 election. This was true in total and for male voters, but not for females. For females, age group 18-26 had the highest number of registered voters and the highest number who voted in the 1991 election.

By far, Chamorro was the largest single ethnic group both in the number of registered voters and in the number of voters who voted, followed by Carolinian, American, Chamolinian, Filipino, and Palauan, respectively.

Registered voters moved from one election district to another. The 1991 election revealed that Election District 1 had a net gain of 135 registered voters. Election district 2 had a net loss of 119 registered voters. Election District 3 had a net loss of 21. Election District 4 had a net loss of 3. Election District 5 had a net gain of 9, and Election District 6 had a net loss of 1.

Visitors. The number of visitors into the Commonwealth increased annually since 1986, except in 1991. The number of visitors declined in 1991, but has been on the rise since. The increase in the number of visitors occurred almost exclusively in Saipan.

In Rota and Tinian the number of visitors fluctuated from year to year and has remained at somewhat the same levels since 1982.

The majority of visitors into the Commonwealth came from Japan. By calendar year, the Japanese visitors increased in numbers annually, from 145,008 person in 1987 to 388,170 in 1994. Visitors from Korea constituted the second largest group in 1994. The number of visitors from U.S. and Guam fluctuated, but generally increased during the same period.

The number of hotel rooms in the CNMI increased from 740 in 1980 to 3,346 rooms in 1994, an increase of over 4.5 times. Estimated total visitors expenditure in the Commonwealth increased from \$61 million in 1980 to over \$518 million in 1992.

Housing. The number of housing units (8,210) in the Commonwealth in 1990 was almost twice the number of housing units in 1980 (3,522).

The increased number of units reflected the increased demand for housing by a growing population and a prospering economy. More than half of all units in 1990 were built between 1985 and 1990, a period of high growth in population and economic development in the CNMI. There were more multiple-unit structures in 1990, compared to 1980. Over 88 percent of all housing units were located in Saipan in 1990, where most people and businesses are located.

Over 66 percent of all housing units had concrete walls, only about 20 percent had metal walls and only 13 percent had wooden walls. This was a major change from 1980 and prior census years when more than half of all housing units had either metal or wooden walls. Also in 1990, over 48 percent of total units had concrete roofs and 49 percent had metal roofs. This was a significant change from 1980 when 33 percent of housing units had concrete roofs and over 50 percent had metal roofs—in 1967, over 85 percent of housing units had metal roofs.

Over 72 percent of housing units in 1990 had complete plumbing; only about 28 percent lacked complete plumbing. This was a major improvement from 1980 when about half of all units had complete plumbing and half were without complete plumbing. In 1990, over 66 percent of housing units got their water solely from the public system, 27 percent depended on both the public system and private water catchments, and 3 percent relied solely on private water catchment systems. In 1980, over 92 percent of housing units got their water from the public system only.

Over 33 percent of housing units were connected to public sewer systems, about 47 percent were using septic tanks/cesspools, and 18 percent used other means of disposing sewage. In absolute numbers, more housing units had electricity, cooking facilities, and refrigerators in 1990 than in 1980. However, compared to 1980, proportionately more housing units were without electricity, without cooking facilities, and without refrigerators.

CNMI-wide, 91 percent of housing units had electricity; by island, 92 percent of Saipan's housing units, 86 percent of Tinian's housing units and 79 percent of Rota's housing units had electricity. CNMI-wide, 83 percent of housing units had refrigerators; by island, 83 percent of Saipan's total units, 77 percent of Tinian's total units, and 65 percent of Rota's units had refrigerators. Over 51 percent of total CNMI units had air conditioning; over 53 percent of Saipan's units, over 42 percent of Rota's units and about 35 percent of Tinian's units had air conditioning.

CNMI-wide, 88 percent of housing units had cooking facilities inside the building, 6 percent had cooking facilities outside the building and over 6 percent had no cooking facilities in 1990. About 33 percent of units in the CNMI had no telephones, about 13 percent had no radios, and about 18 percent had no television.

The median number of rooms was 4.0 in 1990. This was not too different from 1980 median of 4.1, but higher than the 1970 median of 3.3. Median persons per unit was 4.2 persons in 1990, a definite decline from 1980 median (5.4 persons) and 1970 median (6.2 persons). Persons per room declined from 1970 to 1980 to

1990.

Owner-occupied housing units constituted over 43 percent of total CNMI housing units, about 57 percent were renter-occupied units. Over 48 percent of Saipan's units, 47 percent of Tinian's units and about 40 percent of Rota's units were renter-occupied in 1990. Over 73 percent of total population (43,345) in 1990 lived in housing units; of those in housing units, 54 percent (17,267 persons) were in owner occupied units and 46 percent (14,589 persons) were in renter occupied units. A higher proportion of Rota's and Tinian's populations were in owner-occupied units, compared to Saipan's population.

Transportation and Communication. The number of registered vehicles in the Commonwealth increased from 1990 to 1993. In Saipan the number of new registrations was highest (3,572) in 1990 and declined to only 1,676 in 1993. Renewals increased annually. Number of registered heavy equipment vehicles in Saipan increased annually during this period. The number of vehicles increased also in Rota and Tinian.

There were more vehicles to a family in the Commonwealth in 1990, compared to 1980. A higher proportion (33.9 percent) of all families in 1990 had three or more cars than in 1980. And a smaller proportion of all families in 1990, compared to 1980, had no vehicle. The number of government vehicles increased drastically after 1990.

The number of sea vessels in Saipan increased annually since 1988. Most of the increase was in the number of vessels for subsistence and/or recreational fishing and in the number of part-time commercial vessels.

Since 1982, the number of installed telephones increased annually. Both residential and business telephones increased. In the last few years, the number of business phones increased faster than the number of residential telephones.

Finance, Business Establishments and Trade. Banking activities in the Commonwealth, in nominal dollars, increased annually from 1986 to 1991. Generally, annual growth rate was high from 1986 to 1990, but was low from 1990 to 1991.

According to the 1987 Economic Census, there were 39 manufacturing business establishments, including 16 garment manufactures; 383 retail trade establishments; 246 business establishments in the service industries, including 17 hotels; 72 construction and supplies establishments and 28 wholesale trade establishments in the Commonwealth in 1987. A total of 9,090 employees worked in these establishments in selected industries that year: 25 percent of these employees were in the service industry, 25 percent were in retail trade,

24 percent were in manufacturing, and 23 percent were in construction and supplies industry.

From 1988 to 1991, imported commodities in nominal US dollars, increased annually. Food stuff, cigarettes, autoparts, household appliance and building materials steadily increased during this period. The value of imported passenger vehicles increased from 1988 to 1990, but dropped from 1990 to 1991. The value of imported jewelry almost doubled during this period. In-bound ocean cargo into the CNMI, in revenue tons, increased annually from FY 1980 to FY 1991. Out-bound ocean cargo mostly fluctuated from year to year during this period, with a definite increasing trend.

Fishing and Agriculture. In calendar year 1993, over 298,000 pounds of fish were caught and sold in the Commonwealth at an average price of \$2.08 per pound. Reef fish was the largest common species landed in 1993, followed by skipjack tuna, and dolphin (mahi mahi). The total weight landed in 1993 was less than 1992 total weight landed of almost 311,000 pounds, sold at an average price of \$1.98 per pound. In 1992, reef fish was the largest common species landed, followed by skipjack tuna, troll fish, dolphin (mahi mahi), and yellow fin, respectively.

The CNMI is a net importer of fish: from 1989 to 1992 fish products imported into the CNMI increased annually, at very high rates. According to Fish and Wildlife Division, the CNMI imported about 1.2 million pounds of fish products in 1992. The total fish products imported, however, dropped to below 700,000 pounds in 1993. From 1987 to 1992, Palau by far, was the largest single source of fish imports into the CNMI. In 1993, however, the Philippines was the largest single source of fish imports and Palau was second. Imports from other places were relatively small, compared to Palau and the Philippines.

In 1990, there were 346 farms in the CNMI; the average size of a farm was 48 acres. The approximate land area was 117,760 acres. There were 281 farms with crops; 36 farms had cattle for a total of 4,513 cattle; 66 farms had pigs and hogs with a total of 1,260 animals; 21 farms had goats with a total of 482 animals. Thirty seven of the livestock farms sold livestock products worth a total of \$367,883. There were 81 farms that had poultry; six of these farms sold poultry worth a total of \$6,630; and eight of these farms sold poultry and eggs worth a combined total of \$12,115 in 1990.

Revenues. The total amount of revenues received by the CNMI government increased from a little over \$124 million in FY1990 to over \$147 million in FY1991, but declined slightly in FY1992 and FY1993. Although FY1993 locally generated revenue surpassed the 1992 level, the CNMI did not receive Cov-

enant funds for operations in FY 1993, hence, total revenue was lower than in 1992. During this period, almost all revenue items fluctuated from year to year, but hospital fees, user fee tax, and hotel room tax increased, annually.

Business gross revenues, in nominal dollars, increased from calendar year 1990 to 1991, but declined from 1991 to 1992. While most major activities followed this general fluctuation, the garment industry, hotel, retail trade, eating and drinking places, wholesale, shipping and gas service stations recorded steady increase during this period. In 1992, a total of \$366,972,372 was paid in wages and salary in the CNMI. By selected activities, the government paid the highest total amount of wages and salary, followed by the garment, the construction, retail trade, and hotel activity.

Consumer Price Index. The consumer price index increased in almost all quarters since 1988, except for the second quarter of 1990, third quarter of 1991, and 4th quarter of 1992. The base year for the CNMI price index is 1977 third quarter prices.

By major consumer commodity group, the health and recreation index increased faster than all other commodity group indexes, followed by the transportation index. Indexes for food, apparel, and housing increased, but at comparatively lower rates.

Land Use. The biggest island, among the fourteen islands in the CNMI, is Saipan, followed by Tinian, then Rota. The highest peak in the CNMI is in Agrihan, 3,166 feet above sea level. Most of the land mass in the Commonwealth is public land, only about 27 percent of the total land area is privately owned.

According to the Marianas Public Land Corporation's Annual Report for 1990 and 1991, of the 5,512.83 hectares public land, about 35 percent was set aside for conservation and wildlife, about 31 percent was used for temporary agriculture grazing, about 9.7 percent was used for public facilities, about 8.7 percent was used for village homestead, 3.9 percent was used for resort hotels with golf courses, 3.8 percent set aside for proposed new golf courses, 2.6 percent was used for transportation, 2.4 percent was reserved for land exchanges, 1.7 percent was used for commercial lease, 1.3 percent was used for hotel leases, and 9.1 percent was used for other purposes.

During 1990 and 1991, 900 homestead permits were issued to private individuals. Between 1977 and 1991, 202 land exchange cases were completed and 157 cases were pending. As of December 1991, the number and type of permits issued for public land use were, 247 agriculture and or grazing permits, 102 commercial lease permits, 14 commercial permits of one- to five-year terms, 11 quarry permits, and 10 maintenance permits.

Territorial Comparisons. Compared to other island territories and island nations, the CNMI is small in land area.

The CNMI has seen an increase in population in recent years, but its population is small compared to other territories and island nations. Similarly, population density has increased in the Commonwealth in recent years, but it is still comparatively lower than population densities in other territories and island nations.

Compared to the United States and other U.S. territories—Guam, American Samoa, and Virgin Islands—and according to the 1990 Census, the CNMI had,

- the lowest population,
- the second highest number of persons per household, second only to A. Samoa,
- the highest proportion of own population living in group quarters (over 26 percent),
- the largest proportion of own population (70.7 percent) in the age bracket 18 to 64 years old,
- the widest disparity in the number of married males and number of married females,
- the lowest number of children ever born per 1000 women,
- the highest percent (61.4) of own population born outside the area,
- the second highest percentage of own population who spoke a language other than English at home,
- the second highest proportion of own population who lived in a different house in 1985,
- the third highest percentage of own population with high a school diploma,
- the highest proportion of male population in labor force,
- the highest proportion of female population in labor force,
- the lowest total unemployment rate,
- the third highest median household income in 1989,
- the third highest median family income in 1989,
- the second lowest per capita income,
- the second highest in percent of total persons below U.S. poverty level,
- the second highest in percent of total families below U.S. poverty level,
- the second lowest number of year-round housing unit,
- the lowest median number of rooms per housing unit,
- the second highest median number of persons per owner-occupied housing units,
- the second highest number of persons per room,
- the third highest in percent of housing units with 1 or more vehicles,
- the highest median dollar amount of owner-occupied housing units, and
- the second highest median dollar amount of contract rent.

farallon de pajaros
(URACAS)

MAUG

ASUNCION

AGRIHAN

PAGAN

ALAMAGAN

GUGUAN

SARIGAN

ANATAHAN

FARALLON DE MEDINILLA

SAIPAN

AGUIJAN

TINIAN

ROTA

Department of Commerce
Commonwealth of the Northern Mariana Islands
Caller Box 10007, C.K.
Saipan, MP 96950



The Northern Marianas

The Commonwealth of the Northern Mariana Islands (CNMI) experienced phenomenal economic growth during the latter half of the eighties. From 1987 to 1990 the total annual gross business revenues increased by 185.24% to exceed \$1 billion. A period of stabilization has ensued since 1990 which reflects more sustainable long-term growth prospects. Saipan, the largest island of the group, has been the primary beneficiary and focus of the economic activity.

Tourism and its ancillary support services have emerged as the primary economic force. Light manufacturing, which capitalizes on tax and duty free incentives, has also developed into a significant industry base. Other opportunities for participating in the economic growth of the

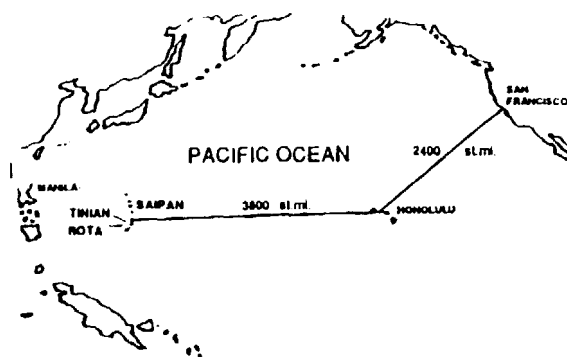
Commonwealth abound.

Many factors have contributed to the CNMI's dynamic financial and commercial development. Foremost are a unique set of incentives provided by its geographical location and its affiliation with the United States. These advantages are complemented by progressive local government policies that encourage a free competitive market. Private sector entrepreneurial participation is actively sought by providing a business environment that is relatively free of constraints. Cost benefits, strategic location, political stability all combine to make investing in the Commonwealth viable and attractive.

Location

The Commonwealth of the Northern Mariana Islands is situated in the Western Pacific Ocean. The chain of 14 islands extends in a north-south direction for 388 nautical miles (685 km) with a total land area of 176.5 square miles. The three major inhabited islands are Rota, Tinian, and Saipan. Saipan is the most developed of the islands and serves as the business, government, and urban center of the Commonwealth.

The CNMI is ideally located for firms who have targeted the Asia-Pacific rim region as their desired market. The Commonwealth's proximity



Distances To Saipan

Origin	Nautical Miles	Air Time (hours)
Agana, Guam, USA	120	0.5
Tokyo, Japan	1,272	3.0
Manila, Philippines	1,438	3.5
Taipei, Taiwan	1,484	3.5
Hong Kong	1,842	4.0
Sidney, Australia	2,951	6.0
Honolulu, HI, USA	3,226	8.0
San Francisc, USA	5,316	13.0
Los Angeles, USA	5,530	13.5

to Asia places it within convenient reach of the 1.5 Billion people of the Asian Pacific rim with a combined gross domestic product of \$2.8 trillion. This region consists of nations and other political entities that comprise what is undoubtedly the most rapidly growing consumer markets in the world.

The strategic importance of the CNMI as a "gateway" between east and west is well documented historically. During WWII, this group of islands in the Western Pacific was a critical staging arena for military forces. This strategic importance has not diminished but the forces involved

are no longer martial but instead commercial.

Businesses seeking to serve the Asian market and firms from the Pacific Rim countries wishing entry to the U.S. market will both benefit by locating in the Commonwealth. The ever growing presence of international corporations from a variety of industry sectors are ready testimony to the increasing world-wide recognition of the potential offered in the CNMI.

Commonwealth Status

In 1978, a Covenant was approved that redefined the political relationship between the Northern Mariana Islands and the United States. Under the terms of the agreement, the people of the islands were granted United States citizenship with all the rights and protection afforded by the United States government and the U.S. Constitution. However, the Commonwealth government retained control over certain internal affairs such as immigration, customs and taxation policies. Thus, the former Trust Territory became the Commonwealth of the Northern Mariana Islands.

The combination of political stability, autonomous self-government powers, and access to U.S. government resources, has created a favorable and cost beneficial business environment.

Office of the Attorney General Registrar Of Corporations

The Registrar of Corporation legalizes all forms of corporate structure and maintains the annual reports of all businesses. Reports of corporate standing can be obtained from the Registrar's office. Contact the Registrar for fee schedules.

Federal Permits

Federal and CNMI permitting agencies work closely together and coordinate their permit decisions. For more information contact the Federal agency directly or its CNMI counterpart at CRM or DEQ.

United States Army Corps Of Engineers

Guam Operations Office,
Pacific Daily News Building
Room 905
238 O'Hara Street
Agana, Guam 96910
Tel. (671) 344-5203

Permits are required for a variety of activities that occur in, on, over or under ocean waters and certain lakes, and their adjacent wetlands. Some typical activities that require permits in the Commonwealth are piers, docks, floats, mooring buoys, boat, ramps, dredging, intake and outfall pipes, pipelines and cables, dams, creation of fast land for building or parking lots, creating causeways, dredging, and the placement or disposal of any fill material which may include but not limited to, sand, gravel, coral, clay or stone; or the placement or disposal of any dredged material in the water or in wetlands. Permits are required to protect the quality of water resources; to maintain water quality by protecting marches, swamps, and similar en-

vironmentally valuable wetland resources; to prevent of tidal waters or obstructions to navigation; and to control dumping of dredged material into ocean waters.

United States Environmental Protection Agency

Region IX Office,
Office of the Pacific Island Programs
Mail Code E-4
Hawthorne Street, CA 94105

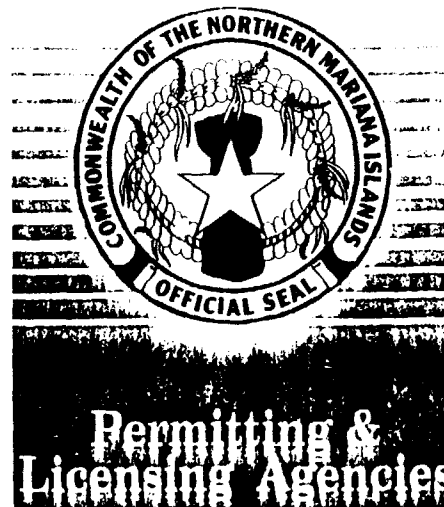
Any open discharge into waters or wetlands will require a National Pollutant Discharge Elimination System Permit from the United States EPA Region IX Office located in San Francisco, California. Several major hotels and resorts have EPA permits.

United States Coast Guard

Individuals or firms interested in operating vessels for hire, charter or for any other commercial activity should contact the U.S. Coast Guard on Saipan to become familiar with any regulations that may apply and to determine if any vessel inspections or permits are required.

Please contact the respective agency for up-to-date information and fee schedules.

Coastal Resources Management	234-6623	234-0007
Commonwealth Ports Authority	234-8315/16	234-5962
Commonwealth Superior Court	234-6401/02	234-8010
Commonwealth Utilities Corporation	322-4033	322-4323
Department Of Public Safety	234-6823	234-8531
Department of Commerce	664-3000	664-3066
Dept. of Lands & Natural Resources	322-9830/34	322-4039
Department of Public Works	322-9482	322-3547
Dept. Of Labor And Immigration	664-2025/24	664-2070
Division Of Historic Preservation	664-2120	664-2139
Division Of Public Lands	322-6914/45	322-4336
Division of Customs	664-1600/01	664-1615
Division of Environmental Quality	234-1011/12	234-1003
Medical Professional Licensing Board	234-8950/51	234-8930
Professional Licensing Board	234-5897	234-6040
Registrar of Corporations	322-4311/12	322-4320



Department Of Commerce (DOC) Business Licensing Office

The Department of Commerce has jurisdiction over business licensing, banking and insurance licensing and regulation, taxicab regulation, liquor licensing, weights and measures and all types of foreign investor licensing. A business license must be obtained before any business activity can occur. If your business or profession is regulated by the Board of Professional Licensing you still must obtain a license from the Department of Commerce.

Banking And Insurance Office

The Banking and Insurance Office regulates the banking and insurance industry, which includes chartering banks, establishing offshore banking regulations and foreign currency exchange regulation. The Commonwealth Insurance Act as administered by the Insurance Commissioner regulates that no person may act as an insurer and no insurer may transact insurance in the CNMI other than as authorized by a certificate of authenticity granted to it by the Insurance Commissioner, except as to such transactions as expressly otherwise by law. If

you are hiring employees you must first obtain Workers Compensation prior to applying for a business license. The Department of Commerce also collects and maintains statistical information on population and housing.

Department Of Public Works

The Department of Public Works (DPW), administers the Commonwealth Building Safety Code which provides standards for the location, design, material, construction, enlargement, maintenance, use, occupancy and moving of buildings and structures in the Commonwealth. This code and its regulations are quite comprehensive and interested parties should consult the proper authorities at the DPW for specific guidance, and to changes in the Code as well as the fee schedule for permits and licenses.

Div. of Environmental Quality

The Division of Environmental Quality (DEQ), on Saipan, administers both Federal Environmental Protection Agency programs that have been delegated to the CNMI and locally mandated environmental laws. Permits may be required for septic tanks and on-site waste-water treatment systems, earth-moving, safe drinking water, clean air, clearing of vegetation, pesticides, well drilling and water well operations, underground storage tanks, clean water act 401- water quality certification, underground injection control (UIC) permits, used oil, and various other areas.

Commonwealth Utilities Corporation

The Commonwealth Utilities Corporation (CUC) handles routine connections of utilities water, power and sewer services. It also grants permission of hazardous waste such as indus-

trial chemicals through the sewer system. Please contact CUC for information on fees and required supporting documents.

Commonwealth Ports Authority

The Commonwealth Ports Authority (CPA) is responsible for the management, development and operation of all airports and seaports in the CNMI. All merchandise entering the CNMI through the ports is subject to CPA charges.

These charges are levied according to total revenue tonnage of the cargo. The Rota seaport can handle small barges with gross weights under 300 tons and draft depths less than 20 feet. The Rota facilities can berth two barges at one time. The Tinian seaport can handle ships with gross weights under 14, 475 tons and draft depths less than 29 feet.

Department Of Finance Division Of Customs

The Division of Customs regulates and enforces the excise tax laws and conducts warrantless searches and inspection of passengers, luggage, cargos, vessels, aircraft, and any other commodities crossing the ports of entry into the CNMI.

Professional Licensing Board

The Professional Licensing Board regulates and licenses individuals engaged in professional occupations. Examples of those occupations with the Board oversees include; architects, landscape architects, engineers, harbor pilots, land surveyors and real estate appraisers.

Medical Professional Licensing Board

Medical, dental and other healing arts are regulated through this office. Call

for fee schedule and additional information.

Department Of Public Safety

The Department of Public Safety issues driver's licenses for the operation of all vehicles within the CNMI, and issues motor vehicle registration.

Dept. of Community And Cultural Affairs, Division Of Historic Preservation

construction and/or earthmoving projects are required to first complete an application for Historic Preservation Review.

These applications are available at the Division's main office on Saipan and its offices on Rota and Tinian.

Dept. Of Lands and Natural Resources

The Department of Lands and Natu-

Coastal Resources Management

Coastal Resources Management Office has jurisdiction over wetlands, the port and the adjacent industrial area as well as the lagoon. CRM regulates all commercial activities within the lagoon area and issues permits for conducting various commercial water recreational activities.

Division Of Public Lands

The Division of Public Lands of the Department of Lands and Natural Resources is responsible for the lease and administration of public lands. The Division of Public Lands makes portion of the public land available for commercial leasing to enhance the economic development of the Commonwealth.

Zoning Zoning laws have been suspended in the CNMI.

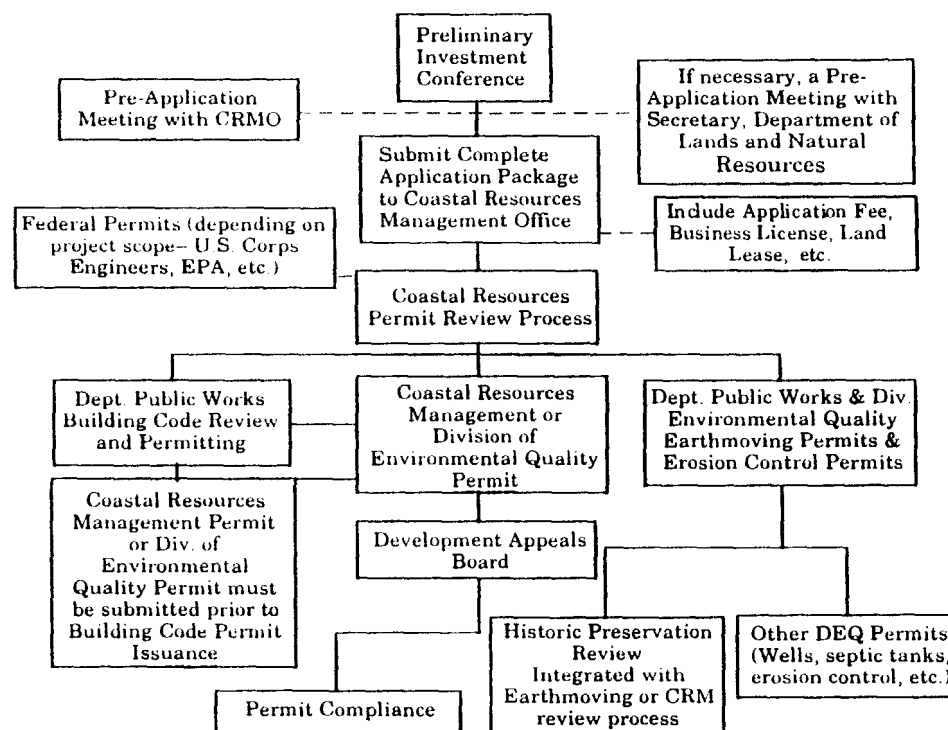
Commonwealth Superior Court

Applications and information on attorney Bar examinations can be obtained at the Commonwealth Superior Court. Bar examinations are administered twice a year (the last Thursday and Friday in February and July).

Dept. Of Labor And Immigration

The CNMI Department of Labor and Immigration has jurisdiction over their immigration matters. With respect to employment, first preference must be given to local workers. Commonwealth law requires that twenty percent of a company's employees be local residents. However, if enough qualified local residents are not available, this requirement may be waived by the Secretary of Labor and Immigration. Business owners are advised to consult with the Employment Services Office of the Dept. of Labor and Immigration.

Development Permitting Process



The Division of Historic Preservation is responsible for reviewing all construction and earthmoving projects undertaken within the Commonwealth to ensure that they do not damage or destroy significant archaeological, historic or cultural properties. This review includes both private and government projects. Individuals or organizations wishing to undertake

ral Resources sets protection standards for designated protected natural resources in the islands of the CNMI. Issues permits for forestry operations on public land. Administers U.S. government federal and CNMI quarantine laws, rules, and regulations within the CNMI, and issues permits for the importation of certain plants, seeds, and animals.

Secondly, you must approximate ongoing costs. Include your rent, maintenance on your building, employees' salaries, utilities, loan payment, insurance premiums, personal living expenses, permitting and/or business registration fees. Business owners should include a small salary for her/himself in the calculations. The amount should be only what will cover basic living expenses.

When planning your budget plan a budget for at least the first three years of the business. A detailed three year budget will also assist you in obtaining a bank loan.

Maintaining Compliance with the Law

Depending upon the nature of your business you will have to comply with Commonwealth laws and regulations. It is your responsibility to make sure that all of the laws pertaining to your business are followed. The best way to ensure this is to consult the "Doing Business in the Commonwealth of the Northern Mariana Islands, Guide to Government Regulations" guide and refer to the government agency that would regulate your type of business. Then double check by calling the particular agency for any clarification that you may need.

Maintaining Your Business

Once you have enough customers to pay for your business operating costs, you will have to concentrate on instituting a plan that will insure that your clients are happy with your service and will come back. The most important thing to do is to keep good records. With good records you can offer better customer service. You will be in a position to attend to unhappy customers and also to remind good

customers of sales and special promotions. Keep your records current. In the long run good records will help you prepare detailed budgets to show to banks for loans and apply for credit. Other benefits include better management of the business and a stronger control over fraud, waste and error. As an owner of a business, good records reflect positively on the standard of your employees.

Keep a list of when business license renewal fees and Commonwealth and Federal taxes are due. Pay the fees and file your returns in a timely manner.

Continue your market research, make sure your customers needs are met. There may be a passing fashion fad that you might have to invest in order to maintain the interest of your target customer group, or there may be more products and services you can offer on a regular basis.

For Information and Help:

**Department of Commerce
Capitol Hill
Caller Box 10007
Saipan, MP 96950**

**Tel. (670) 664-3000
Fax. (670) 664-3066/67**

**Pedro Q. Dela Cruz,
Secretary of Commerce**

**Commonwealth of the
Northern Mariana Islands**

First Time Business Owners ***One Percent Inspiration And Ninety Nine Percent Perspiration!***

The First Time Business Owner

"One percent inspiration and ninety nine percent perspiration" is probably the best recipe for a successful business. It is also the most realistic. The advantages of having your own business are numerous. There is great potential to increase your income, your self confidence and independence. However, a good idea alone will not magically change itself into a business. It is difficult to guarantee a profit based on a great idea. How should you begin? Much of the work is in the pre-planning stage.

The first step is to take inventory of your own abilities. Ask yourself the following questions:

- *How much time can you devote to putting together a business? How much each day, week, month?*
- *Are you willing to sacrifice some free time, time with your family and friends, to work on your business?*
- *Are you a self confident person who will be able to enthusiastically sell your own product or service to others?*
- *How good are you at problem solving?*
- *Do you have many personal issues going on in your life which might prevent you from giving your all to working on your business?*
- *Are you overly sensitive to criticism?*
- *Do you work well in a team setting? Entrepreneurs often work better on their own.*
- *Are you willing to commit to building a business, to invest savings, and to live on reduced income while building the business?*
- *Are you financially ready to take on the project of starting a business?*

These are the types of questions you can begin asking yourself. The next step is to honestly evaluate your abilities in the area of interest you wish to pursue. For instance, you may have a great idea for opening up a French restaurant but if you know nothing of the cuisine except what you might have eaten at such a restaurant, that's a recipe for failure; nor, for example, could you sell computer software without a strong knowledge of computers. If you have your heart set on selling a particular product, do as much research as you can. Go to the library and take advantage of the information which is offered for free to you. Both the Joeten-Kiyu library and the Northern Marianas College Library are good places to begin your research.

Know Your Product

The first research step is to make sure you know your product and also that you know your market. There are probably people out there selling similar products or services and you need to know your product thoroughly. Prepare a list and answer the following questions.

- *How is your product better than your competitor's? Can you prove your product is better? Many entrepreneurs get a false sense of security in thinking that their product is so great that it will sell itself. Wrong.*
- *How many competitors do you have? Depending on the uniqueness of your product or service you might not have any competitors. If that is the case you will want to know why. Is it because the market is new or is it because there are not enough people who will buy your product?*
- *How are similar businesses doing in the community? Are they struggling or finan-*

cially profitable? The telephone book is always a good place to start researching. You will be able to find out how much competition you have. It will also assist you in locating the ideal area for your business office.

Establish the Market for Your Product

Do research on your target market, the people you want to sell to. Analyze the type of person to whom you are trying to sell your product or service. Who is your ideal customer?

- | | |
|--|--|
| <input type="checkbox"/> Male | <input type="checkbox"/> Ages 40 - 60 |
| <input type="checkbox"/> Female | <input type="checkbox"/> Ages 60 and above |
| <input type="checkbox"/> Ages 1-48 mo. | <input type="checkbox"/> Income under 13,000 |
| <input type="checkbox"/> Ages 4-10 | <input type="checkbox"/> Income 13,000 - 20,000 |
| <input type="checkbox"/> Ages 10-13 | <input type="checkbox"/> Income 20,000 - 35,000 |
| <input type="checkbox"/> Ages 13-19 | <input type="checkbox"/> Income 35,000 - 50,000 |
| <input type="checkbox"/> Ages 19-25 | <input type="checkbox"/> Income 50,000 and above |
| <input type="checkbox"/> Ages 25-40 | |

Depending on what you are selling you will have to ask other more specific questions that relate to your product. You need to find out if your target group is able to purchase what you want to sell. Is the product within their budget? Or, if you are selling to a particular income group, you need to know if there is enough of a market. It is important to find out if the number of your carefully identified customers is increasing or diminishing. Also, if your product or service fits into an industry or industrial area that is rising, flat or declining. You will also want to know the possibilities for expansion. For instance, if you sell casual clothing you could expand into the sporting goods area by selling sneakers and sports equipment.

Select the Location Carefully

The location of your business can make or break your business. If you have not done any

market research on your customer habits you might end up moving into a cheap location which turns out to be a deserted neighborhood. Look for a location that is convenient for your customers needs. Also look for a place close to a bank, this way if someone likes something and doesn't have the money they can run out to an ATM machine or bank. If you are opening up a restaurant or cafe, make sure you have adequate electricity and running water.

When you are looking for a building you should think about the possibility of eventually expanding your business. Are there physical limitations which prevent expansion? Depending on the type of business, you might have concerns about safety. Do you own a jewelry shop, or a high cash-intensive business?

First time business owners work on a strict budget. Think about renting rather than purchasing property. Sometimes it is cheaper to rent a building or a space which requires some cleaning, painting or remodeling over renting new building space. Remember your first priority is to concentrate on establishing clients and selling your product instead of having the best looking store.

After you've found an affordable location in the right neighborhood, be sure there is place for your customers to park.

Sell Yourself

Part of selling your product is to convince the customer that not only do they want your product but that they also need it. Advertising does not come cheap. This is why it is so important to sit down and plan your market-

ing strategy. The goal is to advertise to the greatest number of people with the least cost. Here is a list of some of the places where you can advertise. Do some research to determine which method is the best value for your dollar. Use the phone book and call the various local businesses which can assist you in these areas.

- * Newspaper advertisements
- * Television advertisements
- * Radio advertisements
- * Telemarketing - direct phone calls
- * Direct mail
- * Handouts
- * Decals, Stickers, Giveaways
- * Promotions
- * Special Events
- * Posters
- * Banners
- * Maps

Once you have determined the best way to advertise, you must also determine how long you want to do this for. If, for instance, your poster display all over the island did not bring in enough customers to your furniture sale, think about timing problems. A bad time for sales for expensive items is January when most people are recovering from their heavy Christmas expenses.

Determine the Legal Form For Your Business

When deciding what form of business you want to establish you will also want to think about the following:

- * Your financial status. If you do not have the funds to start a business alone then you will want to get into partnership with those who do. If you are a sole proprietorship, how much money can you stand to lose.
- * Division of profits. Decide before you begin operating how the profits will be divided. If

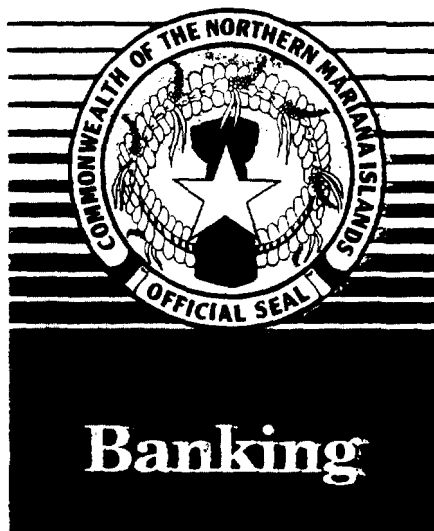
you do all the work but didn't contribute financially will you still be entitled to half of the profits? Discuss the issue of division of profits early on with your partner or partners in order to prevent future conflict which could hurt the business itself.

- * Liabilities. What kind of liabilities are you prepared to assume? Do you want your personal property protected? If something goes wrong with the business do you want to be responsible for only your share? If you limit your liabilities you also limit your profit margin. You must weigh out the benefits versus the risk.
- * What are the tax implications of each different legal form of business? Will one method over another be more costly to you in the long run.

Determine Your Financial Needs

Planning finances is probably the scariest part in starting a new business. Here are some helpful suggestions when preparing a budget.

First you need to calculate the start up costs. Once you have determined the legal form of business, you will want to calculate the total amount of filing fees and licensing fees. Contact the Registrar of Corporations and the office of Revenue and Taxation to verify. Again, depending on your type of business you will need to find out if there are specific permits that you need to obtain. How much will these permits cost? Calculate your initial start up costs - which are defined as those costs paid only once. Include rent deposits, utility deposits, supplies and stationary, remodeling costs, advertising, down payment on a loan, starting inventory and legal and other professional services that were secured. Additionally, if you are hiring employees you must take into account items such as salary, and for foreign workers surety bond and labor processing fees.



The U.S. dollar is the official currency of the Commonwealth. The Japanese yen is accepted in many businesses.

The banking industry on Saipan has been growing steadily for several years. There has been a steady increase in the number of foreign Banks which have established their presence in the CNMI. The CNMI is now host to seven banks; Bank of Saipan; City Trust Bank; Bank of Guam; Bank of Hawaii; Union Bank; First Savings and Loan Association of America and Guam Savings and Loan Association. All

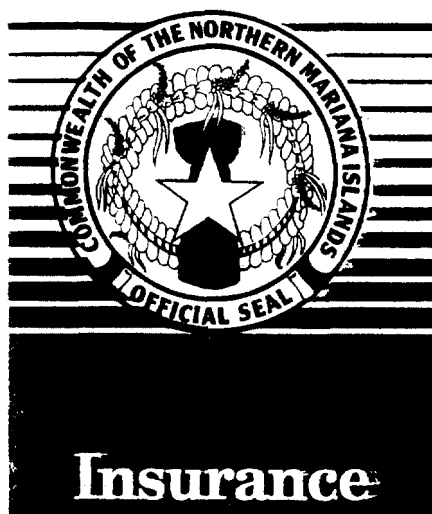
of these banks with the exception of the Bank of Saipan and City Trust Bank are FDIC insured. Additionally three of these bank have licenses to operate Automated Teller Machines ("ATM").

The CNMI Office of the Director of Banking has recently admitted two new banks. They include First Hawaiian Bank and the Hongkong & Shanghai Banking Corporation Limited. The Hongkong & Shanghai Bank is open for commercial business in the CNMI. First Hawaiian Bank will engage in offering auto loans and plans to open early

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**Consolidated Statement Of Condition Of All Banks Doing Business In The CNMI
As Of December 31, 1994 In Thousands (Omitted \$000)**

Assets	State Banks	CNMI Banks	Savings & Loan	Total
Cash & items in process of collection	12,921	2,095	107	15,123
Securities:				
a) U.S. Treasury		6,213		6,213
b) U.S. Government Agencies				
c) Other		1,484		1,484
Balances with other banks		1,661	641	2,302
Loans				
a) Government	1,388		928	2,316
b) Commercial	102,867	16,907	607	120,381
c) Consumer	56,393	7,017	1,249	64,659
d) Real Estate	5,535	2,622	4,781	12,938
e) Other				
Premises and equipment	4,451	539	177	5,167
Due from Head Office	174,429		13,792	188,221
Other real estate owned		315		315
Provision for losses/unearned income	(1,534)	(1,167)	(50)	(2,751)
Other Assets	1,207	551	47	1,805
Total Assets	357,657	38,237	22,279	418,173
<i>Interest received from borrowers</i>	<i>14,535</i>	<i>911</i>	<i>421</i>	<i>15,867</i>
Liabilities And Capital				
Deposits:				
a) Demand deposits-Gov't & Agencies	7,524		4,793	12,317
b) Other	94,931	7,677	3,857	106,465
c) Regular savings-Gov't. Agencies	15,692		1,044	16,736
d) Other	127,209	13,140	8,483	148,832
e) TCD-Gov't. & Agencies	32,593		56	32,649
f) Other	76,148	11,832	3,570	91,550
Due to other banks: head office or branch				
Liabilities on acceptances executed				
Accrued interest payable & other liabilities	1,061	1,842	468	3,371
Capital				
Capital stock		995		995
Capital surplus		1,169		1,169
Undivided profits	2,499	1,582	8	4,089
Total liabilities and capital	357,657	38,237	22,279	418,173
Convertible subordinated debt				
<i>Interest paid to depositors</i>	<i>7,582</i>	<i>271</i>	<i>432</i>	<i>8,285</i>



There is, within the Department of Commerce, Commonwealth of the Northern Mariana Islands (CNMI), the Office of the

Insurance Commissioner, which is statutorily empowered, pursuant to 4 CMC, Division 7, the Commonwealth Insurance Act of 1984, with the regulation of the insurance industry in the CNMI.

During 1993, the Insurance Commissioner regulated forty-seven insurers admitted to transact the business of insurance in the CNMI. Among these insurers, twenty-eight were foreign (United States (U.S.) and U.S. Territories) companies, twelve domestic companies (CNMI), and seven alien companies (all other non-U.S.). Of the total number of insurers, twenty-two were authorized to transact property

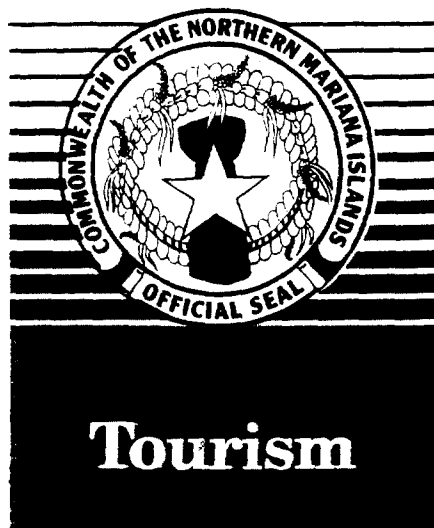
and casualty lines, nineteen to transact life insurance, five to transact surety, and one to transact offshore surety. In addition, the Insurance Commissioner licensed respective General Agents for alien and foreign insurers, Sub-Agents, Brokers, Adjusters, and Surplus Lines Brokers.

Reports for calendar year 1994, as revealed in preliminary results, indicate an increase in dollar amounts on insurance business being transacted. Also, the same year saw the addition of two domestic insurers, the admission of two foreign insurers, and the withdrawal of one foreign insurer.

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1994 INSURANCE COMPANIES

TYPE	NO. OF COMPANIES	NO. OF LICENSES ISSUED	NEW	RENEWAL	DENIED	TOTAL
DOMESTIC	10	10	2	8	0	10
ALIEN	8	8	2	6	0	8
FOREIGN	33	33	11	22	0	33
GENERAL AGENTS	21	53	12	41	0	53
SUB-AGENTS	151	149	30	121	2	151
SOLICITORS	11	11	5	6	0	11
ADJUSTERS	8	8	3	5	0	8
BROKERS	32	32	13	19	0	32
SURPLUS LINES	6	6	2	4	0	6



The CNMI is a favored destination of Asian visitors. Its convenient proximity (three hours by air from Japan), relative affordability, high standards of service, and its reputation as a safe destination are desirable characteristics that attract increasing numbers of visitors. Taiwanese and Korean travelers have discovered the islands and represent a diversification and broadening of the customer base. This industry with its continuing favorable outlook is the mainstay of the Commonwealth's economic growth.

1995 was a record year for the Northern Mariana Islands tourism industry with over one-half million visitor arrivals. This overall increase from 1994 is evidence of the island's attractiveness as a destination site. The Saipan International Airport is a modern airport with a new control tower, able to handle DC-10s and 747s. The airport provides daily flights in and out of the Commonwealth by carriers such as Continental Micronesian Airlines, Northwest Airlines, Japan Airlines, United Airlines, Korean Airlines and Asiana. Inter-island flights are serviced by Pacific Island Aviation and Freedom Air. The Tinian airport is able to accommodate up to B-727 sized aircraft as is the Rota International Airport.

Ten class resort hotels, such as the Nikko Hotel and the Hyatt Regency Hotel to name two, dot the coastline along the lagoon and provide high class rooms and service and offer a wide variety of water sports. There are many other luxurious hotels scattered around the island as well as less expensive hotels for the budget traveler which provide high quality rooms and services as well. The Saipan tourist can sample the many activities which are offered here: hiking, SCUBA diving, snorkeling, windsurfing, swimming, tennis, fishing, jungle trekking, and many more. Golf enthusiasts will love playing at one of the four world class golf courses on Saipan and one on Rota, all of which boast magnificent views and breathtaking beauty. For the history buff historical sites and memorials can be found all around the islands of Saipan and Tinian and are preserved to honor those men and women who died on the islands during the second world war. The Marianas Islands' natural beauty is enhanced by the fact that the islands are free of tropical diseases, is pollution free and uncongested. Residents are warm and friendly and eager to share with you the pleasures of the CNMI. Athletes will also find that the CNMI offers challenging international sports events such as the Tagaman Triathlon which bring in top athletes from Japan, China, the United States and Guam. The unusual enthusiasm of the volunteer crowds for the triathletes are well known throughout the region. Additionally we have a smaller triathlon on the island of Rota. Other sports events include the international Windsurfing Regatta, Annual fishing Derby and the Catamaran competition. Every year the professional Japanese Baseball team the "Kintetsu Buffaloes" comes to Saipan for their spring training.

Visitors can experience a colorful ensemble of dance, music, art and culture, at the Annual Flame Tree

Arts Festival held in April. This weekend brings residents and tourists alike outdoors to experience the local culture and enjoy the local foods at the same time. Other festivals or "fiestas" as they are called in the CNMI, center around religious observations. The San Jose Fiesta on the island of Tinian held each May and the San Francisco De Borja Fiesta on the island of Rota held each October boast the largest offering of foods for the public and largest crowds. These cultural events are worth experiencing and round out any vacation to the Commonwealth.

Recently, the smaller island of Rota has seen a sharp increase in tourist arrivals. Rota is approximately 10.5 miles long and 3 miles wide. Situated between Saipan and Guam, Rota seems strangely isolated from the development boom that took place north and south of the island. Two new resorts recently opened. The new Rota Resort also houses the only 18 hole golf course on the island. The natural richness of the flora and fauna lures many ecotourists out to Rota every year.

Tinian is located 6 miles south of Saipan and is approximately 10.5 miles long by 5 miles at its widest point. Tinian gained notoriety during World War Two as the departure point for the American B-29 Bomber, *Enola Gay*, after the first atomic bomb was loaded aboard bound for Hiroshima, Japan.

Marianas Visitors Bureau projects that the industry will have about 9,500 hotel rooms by the year 2,000. Currently there are 3,346 rooms. If this projection proves correct, a corresponding growth in other industries through the multiplier effect can be expected. The impact of the industry on the economy of the CNMI is considerable and offers significant investment opportunities.

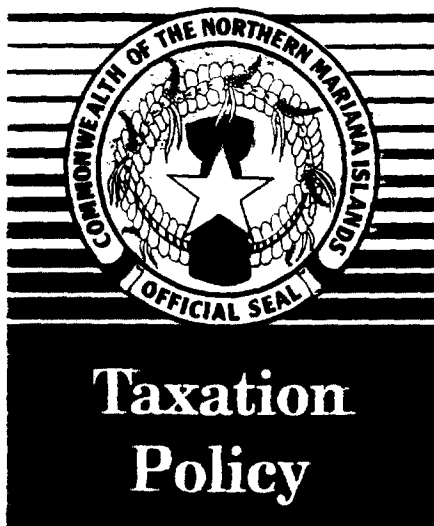


Construction

The construction industry in the Northern Mariana Islands experienced its most noticeable growth in the mid 1980's when most of the infrastructure seen in the CNMI was built. The construction boom was the result of an increase in the number of land leases made to hotels and other businesses in the CNMI. Reported gross revenue at the height of the construction boom was \$125.60 million in 1991. Most of the buildings which are seen on Saipan today were built within only a seven year period.

The construction industry in Saipan, Rota and Tinian is not as busy as it was several years ago. And while gross receipts from construction have decreased, construction on the islands still continues, albeit, not at the frenetic pace it was only a few years ago. For a while the number of hotels that were built were enough to accommodate our tourist base. The number of supermarkets and other retail outlets were enough to cater to our resident needs. As an expected result, the number of construction projects decreased. However, the attitude of "we have enough to manage" is changing very quickly. The Mariana Tourist Bureau predicts that the CNMI needs at least

an additional 3,000 hotel rooms to accommodate the growth in the number of tourists visiting the CNMI every year. A major airline expressed to the government that an additional 6,000 hotel rooms must be built to accommodate the demand of tourists from Asia wanting to come to the CNMI. Additionally, consumer demands and needs are changing as the society becomes more and more affluent. The recently opened Price Costco warehouse outlet is proof positive that there is a strong consumer market out here. The beginnings of a surge in construction can be felt; the Dai Ichi hotel is currently expanding; there are golf courses still under construction; fast food franchise Wendy's has just opened (to add to the already established McDonald's and Pizza Hut); residential homes continue to be built, including luxury homes and condominiums; the airport is expanding to provide improved service to the increasing number of tourists; the port is expanding as well to accommodate larger ships and more ships. The initial slow down was temporary and the construction industry must change focus now from just building the structure, to also providing maintenance services and renovation services, two new areas of business for the construction companies. The value of construction materials imported into the CNMI have increased from \$21.30 million to \$23.30 million, an increase of \$2 million dollars. And this number will increase as the number of hotel rooms increase. Yearly population increases clearly indicate the need for additional housing units to be built. Additionally the lifting of the moratorium on garment manufacturing and the immediate licensing of nine new factories, it is expected that construction will begin when these companies are ready to begin operations.



The CNMI is a self-governing Commonwealth of the United States of America. Most taxes imposed by the CNMI are administered and enforced by the CNMI Division of Revenue and Taxation and are payable to the CNMI Treasury. Under the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, U.S. Public Law 94-241, the income tax laws of the United States are enforced in the CNMI as a local territorial income tax (NMTIT). Taxes imposed under the NMTIT are administered and enforced pursuant to the mirrored-income tax provisions of the U.S. Internal Revenue Code. In interpreting the NMTIT, the following are

generally treated as authoritative interpretations of the NMTIT: US federal cases including Tax Courtcases, IRS Revenue Ruling and Revenue Procedures, and Treasury Regulations.

In addition to the mirrored-income tax, the Covenant authorizes the CNMI to impose other taxes. Accordingly, the CNMI imposes, in addition to the mirrored-income tax, a Wage and Salary Tax, Earnings Tax, Business Gross Revenue Tax, and a General Excise Tax. Further pursuant to the Covenant and CNMI law, every person subject to the NMTIT is entitled to a rebate with respect to their NMTIT tax liability in amounts ranging from 50-90% of the tax paid.

Rebate Amounts For Non-Corporate Taxpayers

<u>NMTIT Liability</u>	<u>Rebate %</u>
Not over \$1,000	90%
\$1,001-\$2,500	70%
Over \$2,500	50%

Rebate Amounts For Corporate Taxpayers

<u>NMTIT Liability</u>	<u>Rebate %</u>
Not over \$20,000	90%
\$20,001-\$100,000	70%
Over \$100,000	50%

Wage And Salary Tax

In addition to the NMTIT, an annual tax is imposed upon all wages and salaries from sources within the CNMI at graduated rates of 0-9%. In general, any Wage and Salary

Tax (WST) paid on wages sourced within the CNMI is allowed as a non-refundable credit against the NMTIT.

Annual Gross Wages

\$0 to \$1,000
1,001 to 5,000
5,001 to 7,000
7,001 to 15,000
15,001 to 22,000
22,001 to 30,000
30,001 to 40,000
40,001 to 50,000
Over 50,000

Rate

No Tax
2% of amount over -0-
3%
4%
5%
6%
7%
8%
9%

Earnings Tax

In addition to the NMTIT and the WST, an annual tax is imposed upon all earnings from sources within the CNMI which were not derived in the course of carrying on a business. The earnings tax rate is the same as the Wage and Salary Tax Rate. Subject to the Earnings Tax are items

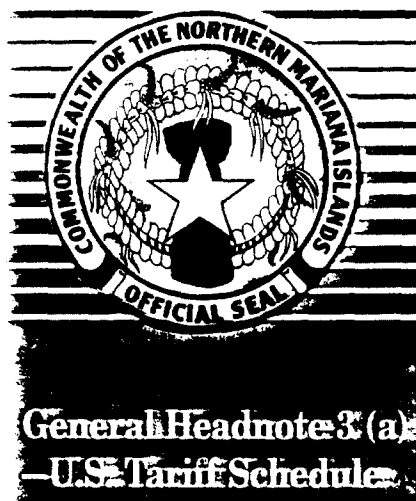
such as gains from the sale of personal property, interest income, and dividend income. In general, any Earnings Tax paid on earnings sourced within the CNMI is allowed as a nonrefundable credit against the NMTIT.

Annual Gross Earnings

\$0 to \$1,000
1,001 to 5,000
5,001 to 7,000
7,001 to 15,000
15,001 to 22,000
22,001 to 30,000
30,001 to 40,000
40,001 to 50,000
Over 50,000

Rate

No Tax
2% of amount over -0-
3%
4%
5%
6%
7%
8%
9%



Businesses located in the CNMI qualify for preferential treatment when exporting their product to the U.S. Under section 603 (a) of the Covenant. The CNMI is not included within the customs territory of the U.S. General Headnote 3 (a) of the Revised Tariff Schedules of the U.S. permits articles grown, manufactured, or produced in the Northern Mariana Islands to be imported into the customs territory of the U.S. free of duty if 70 percent or less of the value of the product is derived from foreign materials. If more than 70 percent of the value of the product is derived from foreign materials, the product is subject to the usual duties. For certain articles, notably textiles and wearing apparel, only 50 percent or less of the value may be derived from foreign material in order to qualify for duty free treatment.

General Headnote 3 (a) addresses only the issue of whether a product of the Northern Mariana Islands may be imported into the customs territory of the U.S. free of duty; it does not address the circumstances under which products of the Commonwealth may be admitted into the customs territory of the U.S. free of quota restrictions or other non-tariff barriers. Quotas affecting imports from the Commonwealth into the customs territory of the U.S. have been imposed thus far only with respect to sweaters of third

country manufacturers assembled in the Commonwealth for export to the U.S.

Generally, imports into the customs territory of the U.S. under Headnote 3 (a) are not subject to quota limitations. The United States Government can impose a tariff or quota at any time [or withdraw the benefits provided by Headnote 3 (a)], when a particular product is restricted from the U.S. market by quotas, it may be economical to assemble such products in the Northern Marianas using material from the Pacific region.

Qualifying for Duty Free Treatment

In order for a product manufactured in the Commonwealth to qualify for duty free treatment under the GSP it must meet certain requirements: 1) the product must be included on the GSP list; 2) the product must be from a designated beneficiary country or area; 3) the beneficiary area must be eligible for GSP treatment with respect to a particular product; 4) the value added requirements must be satisfied; 5) the article must be imported directly into the U.S. from the beneficiary area; and 6) a certificate of origin form (#3229) must be provided and the importer must have requested GSP treatment.

Value Added Requirement

The sum of the cost or value of materials produced in the Commonwealth plus the direct cost of the processing must equal at least the minimum percentage requirement of the appraised value of the article at the time of entry into the U.S. All those costs, whether directly incurred in, or which can be reasonably allocated to: the growth, production, manufacture or assembly of the merchandise including; actual labor costs, fringe benefits, on-the-job training, cost of engineering, supervisory, quality control and similar personnel, etc. and other items

not directly attributable to the merchandise under consideration or are not "costs" of manufacturing, including profit and general expenses and business overhead (such as administrative salaries, insurance, advertising, etc.), are not allowable costs in meeting the required percentage.

The foreign value limitation test to determine the 50 or 70 percent foreign value limitation for articles manufactured in the Commonwealth compares the actual purchase price of the foreign materials imported into the Northern Marianas (plus transportation costs) and the final appraised value in the U.S. determined in accordance with the value provisions of U.S. tariff laws.

Direct Shipment

Direct shipment provisions also apply under Headnote 3 (a). Generally, in order for assembled articles to be considered manufactured or produced in the Commonwealth, the component parts of foreign origin used in the assembly must be shipped from the foreign country in separate shipments so as to constitute entireties. The constituent parts must arrive in at least two different shipments and by separate carriers.

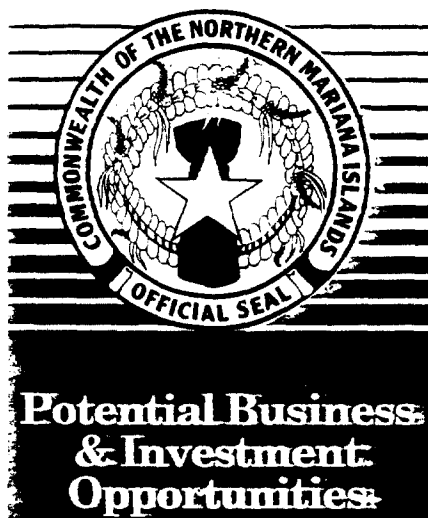
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Special Note

It is essential that interested parties first obtain a ruling on the application of General Headnote 3 (a) provisions for a particular product. Requests should be directed to:

U.S. Customs Service
Office Of Regulations & Ruling
Washington, D.C. 200229.

A detailed description of the rules may be examined in Customs Regulations 19 CFR, Part 177.



TREE FARMING: Fiber, wood chips, fuel feedstock, lumber, construction materials, woodworking, fencing, posts, lumber export, animal feed, mulberry bamboo, utensils.

PERMACULTURE: Coconut products, betelnut, cashews, ivorynut, cacao, coffee, breadfruit, orchids, limes, mandarins, oranges, lemons, tangerines, guava, passionfruit, sweetsop, soursop, bananas, papaya eugenia fruit, jack fruit, papain, avocado, grapes (Thailand variety) kapok.

CROPPING: Peanuts beans, daikon, greens, turnips, cabbage, Chinese cabbage, broccoli, okra, corn, sweet potato, potato (rot resistant), onions, cloves, vanilla and other spices, cayenne pepper, camachile, pineapple, cucumber melons, squash and gourds, taro, cotton, ginger, flowers (fresh, dried), foliage, ferns, woodrose, sugarcane, sprouts, hydroponics, controlled environment farming, timber forestry, houseplants.

ANIMAL HUSBANDRY: Breedstock supply, stud-service, cattle, pigs, draft animals (carabao, horses, donkeys, mules), fowl (chickens, ducks, geese, turkey), rabbits, crabs (coconut, mangrove), fruit bat, laboratory (mice, rats, guinea pigs, monkeys), hunting stock (deer, feral pigs, goats, fowl), insects (honey, wax, spider webs for optics).

AQUACULTURE: Turtles (food, eggs, and shell), baitfish, shrimp prawns, milkfish, mullet, tilapia, eels, shellfish (food, pearl mother-of-pearl, trochus), lobster,

coconut and mangrove crabs, trepang, pay-fishing ponds, sponges, algae, animal feed, seaweed, unicellular proteins, snails, and crocodile (leather).

RESOURCE EXTRACTION: Basalt, vermiculite—like volcanic ash, pumice (and other natural abrasives), offshore sand, clay (brick, tile, pottery, crafts), manganese, water (bottled, bulk shipment to arid islands), salt, quarried limestone, lime, sulfur, geothermal, hydrogen, trepang, precious corals, sustainable marine resources, recycled materials (municipal solid waste, composting, plastic, scrap metal, aggregate fill i.e. old airstrips).

PROCESSING AND MANUFACTURING: Animal feed, dairy, dried bonita, fruit juices, pulps and leather, fermentation, wood chipping, tofu, snack foods (chips from taro, breadfruit, banana, coconuts, dried/smoked fish/meat, poi), specialty meats, paper (craft, bags, plates, diapers, stationary), tuna filets/loins, soyu, gourd foods, trepang, biogas, water, beer, wines, spirits, starch, health foods (papaya, spirulina, calcium, botanicals), protein enrichment of cassava, papain, candles, oils, fats, waxes, rope, cord, twine, wooden utensils, craftwood (placemats, coasters, carved bowls for tourist and Northern Marianas market), plastic (plates, bags and containers), sugars, molasses, lava products, cement, batteries, ice, preservatives (dried, pickled, frozen smoked, salted fish and marine products, vegetables, fruits) chocolate coated fruits, coconut products (oil, beauty, health, lubricant, crude fuel, soap), charcoal, bottled gas, soap, lumber salt, chopsticks, machetes, hand tools, kimonos, zories, natural gums, resins, oils, brushes, brooms, vegetable waxes, silk, cloth, leather products, assembly, Custom-made clothing, batik and silk screening button manufacturing (trochus and coconut shell) prefabricated housing, tuna purse-seiner nets.

TRADING: Trade journal, distribution networks, import of resources needed for import substitution programs, General Headnote 3(a) and general systems of trade items, copra commodities, transportation (sail ships, inter-island ferries, bus systems), export automobile sales, local and export agri-

cultural commodity brokering.

SERVICES: Government services and utilities such as power, water (including desalination, storage and catchments), sewerage, solid waste collection and disposal, automobile repair, yard maintenance, swimming pool maintenance, school busing, heavy equipment rental and leasing, mass transit, warehousing, wholesaling, housing, medical and dental care, industrial park, agricultural supply such as equipment fertilizer, seeds, seedlings, rootstock, transshipment, bunkering tuna purse-sein net repair, general procurement, private post office, specialty training, language training, foreign student education, teaching law firm, day care center, toy store, art supply store, color photocopying, private health care, retirement community, Micronesian labor recruitment agency, coffee shop/bakery, Pacific products distribution, low-cost long distance telephone service, data research service, lottery, machine shops, construction form rental, house and apartment locator service.

TOURISM: Hotels, camping facilities, natural and manmade tourist attractions, government owned casino gambling, photography and video filming, camera and video rental, bulcart, horse and mule rides, public baths, fitness centers, translation center, Japanese news information center, canoe rentals, sport fishing charters, seaplane tours, restaurants, noodle stands, botanical gardens, zoo, aviary aquarium, nature trails, airport greeting service, guest house, and breakfast inn, tennis ranch, package beef sales, annual events (Mardi Gras, Ironman triathlon, etc.), international market place, conventions, special group support, sport and entertainment guide services.

ENERGY: Fuel bunkering, biogas, biomass, bottled gas, gasification, firewood, charcoal, ocean thermal, wave, geothermal, hydrothermal submarine cable utilities, coal, municipal solid waste, alcohol, cocodiesel, petroleum blending, insulation, reflective paints surfaces, solar water heating, solar air conditioning, photovoltaic energy conservation management, process and waste heat management.



There are many factors to take into consideration when planning your business here in the CNMI. For those of you who are seriously planning to start a business, here are some important business advantages that you can benefit from. These are special advantages that are not available to any other resident of any other state in the U.S. These trade advantages are the same reasons that many people from other countries find the CNMI an attractive place to invest.

**** While United States Federal tax laws apply, under Covenant provisions and United States Internal Revenue Service Regulations, the Commonwealth may rebate a substantial percent of taxes paid on personal and corporate income when such taxes as paid do not exceed \$7.5 million. Certain residency requirements must be met and the income must have been sourced in the Commonwealth.**

**** All ports of entry are free of United States Customs duties. Goods imported for resale are, however, subject to moderate excise fees levied by the Commonwealth.**

**** United States minimum wage laws do not yet apply. The minimum wage in the Northern Marianas is presently U.S.**

\$2.75 per hour. The minimum wage will increase by 30 cents per hour each year through the year 2000, when the rate will be \$4.25 per hour.

**** The area qualifies under General Headnote 3 (a) of the U.S. Harmonized Tariff Schedules for the export of certain eligible goods to the United States duty free. Find out if your product qualifies for duty free status.**

**** Under the Generalized System of Preferences qualified exports to other countries also receive favorable tariff treatment. The CNMI encourages you to sell your products to the international market as well as the United States market.**

**** Companies licensed in the Commonwealth may be exempt from U.S. vessel documentation laws thereby permitting vessels constructed outside the United States to operate from the Commonwealth ports subject to U.S. Coast Guard regulations when such vessels are to be used for commercial purposes. This eliminates bureaucratic obstacles and special fees.**

**** The Commonwealth is exempt from the Federal "Jones Act," (U.S. Merchant Marine Act of 1920).**

**** Intellectual Property Rights are protected by United States Federal Trademark and Copyright laws.**

CNMI Investment Policy

Economic policies of the CNMI government encourage a free competitive market place in which the private sector operates with a minimum of restraints. The government encourages local entrepreneurs to take advantage of these economic policies.

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PAGAN

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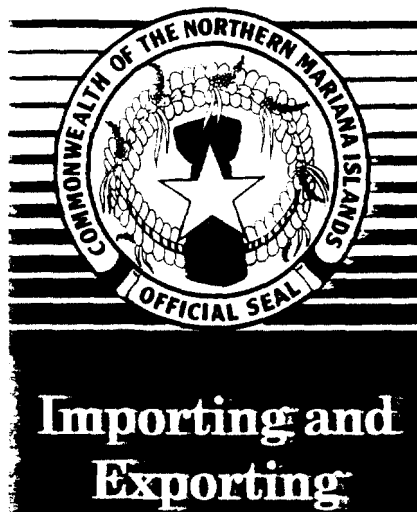
FARALLON DE MEDINILLA

SAIPAN

TINIAN

AGUIJAN

ROTA



Export Duty Free to the U.S.

The U.S. Congress has extended the duration of the program for the General System of Preferences (GSP). Manufacturers in the CNMI, while benefiting from General Headnote 3 (a), are also eligible for the export benefits provided by the program.

Of the numerous nations which are signatory to the GSP, Australia, New Zealand and Japan are the closest countries to which Commonwealth manufacturers of qualified products can benefit from reduced import tariffs in the recipient countries. With the exception of certain products, tariff reductions of up to 50 percent are allowed.

The import regulations from countries participating in the GSP program vary depending upon the country. More than 2,700 product categories of exports from developing countries are eligible under the GSP program. There are value added requirements and, in some cases, quota restrictions. Please consult the Customs Office for detailed information or consult the *Guide to Government Agencies and Requirements*.

Generally for a business to benefit from the GSP its product would normally be subject to a high duty in

the importing country and the component costs should be considerably lower than those within the country to which the product is to be exported. Ineligible articles under the GSP are generally "import sensitive" products which, if allowed free access into the U.S. could disrupt domestic production. These articles have a high U.S. import duty.

Export Assistance

The U.S. has an obligation under the Commonwealth's agreement with the U.S. to seek favorable treatment for exports from the Northern Marianas to foreign countries and to encourage other countries to consider the Northern Marianas a developing territory. This obligation on the part of the U.S. may possibly result in trade advantages for the CNMI as there is a waiver provision in the General Agreement on Tariffs and Trade (GATT) which could allow preferential treatment of goods exported from the CNMI.

Certain articles shipped from the U.S. to the CNMI are free of certain federal excise taxes. The Covenant does permit the U.S. to levy excise taxes on goods manufactured, sold or used, or services rendered in the CNMI in the same manner, and to the same extent, as such taxes are applicable to the U.S. Territory of Guam. The proceeds from such taxes, when and if imposed, will be given the Northern Marianas Government by the federal government. The CNMI, if so desires, can rebate the funds to the business source.

Importing into the CNMI

An excise tax is levied on imported goods for the privilege of doing business when such imports are to be resold.

The CNMI can enact its own legislation to protect the islands from

being adversely affected by competition from imported foreign goods. It has the right to protect its workers and firms from import competition by imposing duties imported products which might otherwise compete unfairly with local producers of similar goods. The Covenant does permit the government, if it elects to do so, to allow foreign goods to enter the CNMI without import fees in order to maintain lower prices for local residents.

Exemptions for CNMI Exporters

Exports from the Northern Marianas destined for the U.S. market are exempt from the 22 percent surtax imposed on imports to the U.S. As a U. S. insular possession, the CNMI is eligible for Caribbean Basin Initiative treatment on products exported under the U.S. Tariff Schedule.

The user fee levied by the Government of the CNMI is 3.5 percent of the gross value of merchandise and is levied when certification for export under General Headnote 3 (a) treatment is made by the CNMI government.

Export Sales Tax (User's Fee)

Any person engaged in the sale of goods, resources, food or agricultural produce exported from the Commonwealth is exempt from any tax levied by the CNMI upon the gross revenue derived solely from such export sales.

Items manufactured in the CNMI which are sold and delivered outside the CNMI are exempt from the Gross Revenue Tax (detailed below) but are subject to a 3.5 percent User's Fee assessed on the export value of the items.



Short-Term Entry Permit

For business people entering the CNMI for the purposes of surveying business opportunities, a short-term business permit is issued by the Immigration Officer at the point of entry into the CNMI. The Short-Term Business Entry Permit allows a business person to stay in the CNMI for thirty (30) days. An extension of ninety (90) days can be applied for at the Department of Commerce 10 days prior to the expiration of a Short-Term Permit. *A tourist visa cannot be changed to a business visa unless the holder first exits the CNMI. Therefore, when a business person enters the CNMI, it is imperative to obtain a business visa if the intent of the visit is for business purposes.*

Regular-Term Entry Certificate

A business owner in the CNMI should obtain a Regular-Term Business Certificate. This certificate entitles the business owner/investor to lawfully engage in business and to remain in the CNMI for up to ninety (90) within a twelve (12) month period.

Long-Term Entry Certificate

A Long-Term business certificate is also available through the Department of Commerce. This certificate is initially valid for up to two years and allows the business owner and

dependents (under 21 years of age) to enter and exit the CNMI freely, as long as the certificate is valid. The holder of a Long-Term Business Entry Certificate has no absolute right to the renewal of the Long-Term Business Entry Certificate. Applicants will be required to substantiate capital investments of no less than \$50,000 for a new or existing enterprise. Rules, regulations and fees in connection with the issuance of Long-Term Business Entry Certificates can be obtained from the Economic Development Division of the Department of Commerce.

Foreign Investment Certificate

The Foreign Investment Certificate and Foreign Investment Visa are documents issued to an alien investor who has met all the standards and conditions as set by the Secretary of Commerce. The minimum amount of investment shall be \$100,000 per person in an aggregate "Approved Investment" in excess of \$2,000,000; or \$250,000 by an individual in a single "Approved Investment". The duration of the Foreign Investment Certificate shall be perpetual, provided that the Approved Investment continues to comply with the standards of issuance. The immediate family members of the applicant shall be eligible to obtain the Foreign Investors Visa which also will allow that family member to reside in the CNMI for as long as the applicant wishes to reside in the CNMI and remains in good standing. Rules, regulations and fees in connection with the issuance of the Foreign Investment Certificate and the Foreign Investors Visa can be obtained from the Economic Development Division of the Department of Commerce.

Fee Schedules

Short-Term	\$ 0
Regular-Term	200
Long-Term	1,000
Foreign Invest. Visa	2,500
Foreign Inv. Certificate	10,000
Late Fee (per day)	100

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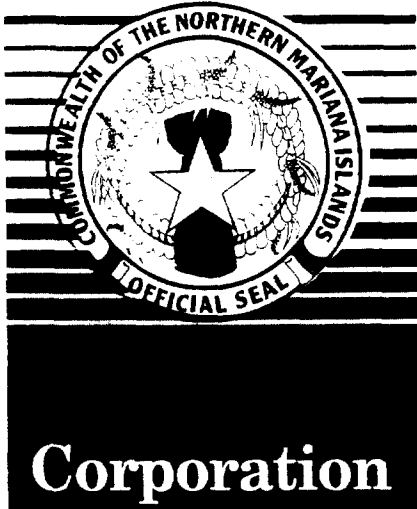
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ROTA



A Corporation is a legal entity created under the laws of a state or commonwealth to carry on some business or other authorized activities.

In order to start a corporate business the following requirements must be met:

1. The Articles of Incorporation must be filed with the Attorney General's office. The Articles of Incorporation must provide the name of the corporation, purposes of the corporation, authorized capital, number of directors (not less than 3), name and address of initial registered agent, names and addresses of the incorporators.
2. The Articles of Incorporation must be executed by the incorporators.
3. The Articles of Incorporation must be delivered to the office of the Registrar of Corporations for filing and must be accompanied by two exact or conformed copies and proof of payment of the filing fees.
4. The filing fee is \$100.00. The fee should be paid at the Department of Finance and proof of payment delivered to the Registrar of Corporations when presenting the Articles of Incorporation for filing.
5. The Articles of Incorporation become effective at the time of filing on the date filed, as evidenced by the Registrar of Corporations date and time endorsement of the original document.
6. The Registrar of Corporations will issue a Certificate of Incorporation to you for your business.
7. All businesses in the Northern Mariana Islands must have a business license before beginning operations. The license requires approximately three days for processing; renewals are done in one or two days. If additional lines or businesses are added to the company's operations, an amendment to the current license is required.

For a new license you will need to complete a Business License application, present a copy of your Business Entry Permits for incorporators and officers of the corporation, partners, or sole proprietor, if not a U.S. citizen(s).

To renew your existing license for corporations please bring with you a completed business license application, your original business license, a sketch of your business location and a copy of your previous years filed annual corporate report.

The filing fee for a new business license is \$50.00 per business activity. Please consult the Business Licensing Fees section of this booklet for special fee rates to determine if your business is subject to higher or lower fee rates.

8. The next step will be to file an Internal Revenue Service Application for a Federal Employer Identification Number form SS-4. The form can be picked up at the office of Revenue and Taxation. It usually takes four to six weeks to get your federal I.D. number back from the Internal Revenue Service Philadelphia, Pennsylvania office. Needless to say, you will want to send your application out immediately after confirmation of the corporate existence of your business.

9. The Registrar of Corporations requires that an Annual Corporate Report be submitted annually at the end of each calendar year. The one page form can be picked up at the office of the Registrar of Corporations. The completed form and the fee of \$50.00 should be submitted to the Registrar's office. An initial annual report must be filed with the Registrar of Corporations within 60 days after the Certificate of Incorporation has been issued.

10. All domestic corporations are required to file a Commonwealth corporate tax return annually. Please pick up the Commonwealth corporate tax return 1120 CM from the office of Revenue and Taxation. The 1120CM return must be filed by March 15 every year.

11. All domestic corporations are required to file the Commonwealth Business Gross Revenue Tax return on a quarterly basis. These forms can also be picked up at the office of Revenue and Taxation.